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## **Top Reasons Everyone Needs Comprehensive Financial and Healthcare Powers of Attorney**

The benefits of a highly detailed, comprehensive power of attorney are numerous. Unfortunately, many powers of attorney are more general in nature and can actually cause more problems than they solve, especially for our senior population. This article highlights the benefits of comprehensive, detailed powers of attorney for finances and healthcare, including some of the provisions that should be included. A proper starting point is to emphasize that the proper use of a power of attorney as an estate planning and elder law document depends on the reliability and honesty of the appointed agent.

In New Mexico, financial decisions by an agent are governed by the New Mexico Uniform Power of Attorney Act, whereas medical or healthcare decisions are governed by the New Mexico Uniform Healthcare Decisions Act. Thus, it is best to have two separate powers of attorney, one for finances and one for healthcare.

The agent under a power of attorney has traditionally been called an "attorney-in-fact" or sometimes just "attorney." However, confusion over these terms has encouraged the terminology to change so more recent state statutes tend to use the label "agent" for the person receiving power by the document. The "principal" is the person signing the document that appoints a legal representative ("agent").

Much has been written about financial exploitation of individuals, particularly seniors and other vulnerable people, by people who take advantage of them through undue influence, hidden transactions, identity theft and the like. Even though exploitation risks exist, there are great benefits to one individual (the principal) privately empowering another person (the agent) to act on the principal's behalf to perform certain financial functions and make healthcare decisions.

Another important preliminary consideration about powers of attorney is "durability." Powers of attorney are voluntary delegations of authority by the principal to the agent. The principal has not given up his or her own power to do these same functions but has granted legal authority to the agent to perform various tasks on the principal's behalf. All states have adopted a "durability" statute that allows principals to include in their powers of attorney a simple declaration that no power granted by the principal in this document

will become invalid upon the subsequent mental incapacity of the principal. The result is a "durable power of attorney" – a document that continues to be valid until a stated termination date or event occurs, or the principal dies. Absent durability provisions, the power of attorney terminates upon the principal's death or incapacity.

Having covered the explanation of what a durable power of attorney is, let us look at the top benefits of having comprehensive durable powers of attorney for finances and healthcare.

**1. Provides the ability to choose who will make decisions for you (rather than a court).**

If someone has signed a power of attorney and later becomes incapacitated and unable to make decisions, the agent named can step into the shoes of the incapacitated person and make important financial and healthcare decisions. Without a power of attorney, a guardianship or conservatorship may need to be established, which can be very expensive.

**2. Avoids the necessity of a guardianship or conservatorship.**

Someone who does not have comprehensive powers of attorney at the time they become incapacitated would have no alternative than to have someone else petition the court to appoint a conservator to make financial decisions. That person may also need a guardian for healthcare decisions. The court will choose who is appointed to manage the financial and/or health affairs of the incapacitated person, and the court will continue to monitor the situation as long as the incapacitated person is alive. Guardianship is a costly process, and the incapacitated person has little or no input on who will be appointed to serve, depending on his ability to communicate his wishes.

**3. Provides family members a good opportunity to discuss wishes and desires.**

Much thought and consideration should go into the creation of comprehensive powers of attorney. One of the most important decisions is who will serve as the agent. When a parent or loved one makes the decision to sign a power of attorney, it is a good opportunity for the parent to discuss wishes and expectations with the family and, in particular, the person named as agent in the power of attorney. This is particularly true with end-of-life decisions.

**4. The more comprehensive the power of attorney, the better.**

As people age, their needs change and their power of attorney should reflect that. Seniors have concerns about long-term care, applying for government benefits to pay for care, as well as choosing the proper care providers. Without allowing the agent to perform these tasks and more, precious time and money may be wasted.

## **5. Prevents questions about principal's intent.**

Many of us have read about court battles over a person's intent once that person has become incapacitated. Well-drafted powers of attorney can eliminate the need for family members to argue or disagree over a loved one's wishes. Once written down, this document is excellent evidence of their intent and is difficult to dispute.

## **6. Prevents delays in asset protection planning.**

A comprehensive power of attorney should include all of the powers required to do effective asset protection planning. If the power of attorney does not include a specific power, it can greatly dampen the agent's ability to complete the planning and could result in thousands of dollars lost. While some powers of attorney seem long, it is necessary to include all of the powers necessary to carry out proper planning.

## **7. Protects the agent from claims of financial abuse.**

Comprehensive powers of attorney often allow the agent to make substantial gifts to self or others in order to carry out asset protection planning objectives. Without the power of attorney authorizing this, the agent (often a family member) could be at risk for financial abuse allegations.

## **8. Allows agents to talk to other agencies.**

An agent under a power of attorney is often in the position of trying to reconcile bank charges, make arrangements for health care, engage professionals for services to be provided to the principal, and much more. Without comprehensive powers of attorney giving authority to the agent, many companies will refuse to disclose any information or provide services to the incapacitated person. This can result in a great deal of frustration on the part of the family, as well as lost time and money. Healthcare providers and other agencies are more careful than ever before about disclosing health information because of federal law protecting a person's medical condition or other health information.

## **9. Allows an agent to perform planning and transactions to make the principal eligible for public benefits.**

One could argue that transferring assets from the principal to others in order to make the principal eligible for public benefits--Medicaid and/or non-service-connected Veterans Administration benefits--is not in the best interests of the principal, but rather in the best interests of the transferees. In fact, one reason that a comprehensive durable power of attorney is essential in elder law is that a Judge in a guardianship may not be willing to authorize a conservator to protect assets for others while enhancing the ward/protected person's eligibility for public benefits. However, that may have been the wish of the incapacitated person and one that would remain unfulfilled if a power of attorney were not in place.

## **10. Provides immediate access to critical assets.**

A well-crafted financial power of attorney includes provisions that allow the agent to access critical assets, such as the principal's digital assets or safety deposit box, to continue to pay bills, access funds, etc. in a timely manner. Absent these provisions, court approval will be required before anyone can access these assets. Digital assets are also important because powers of attorney done under old law did not address digital assets, yet more and more individuals have digital accounts.

## **11. Provides peace of mind for everyone involved.**

Taking the time to sign a power of attorney lessens the burden on family members who would otherwise have to go to court to get authority for performing basic tasks, like writing a check or arranging for home health services. Knowing this has been taken care of in advance is of great comfort to families and loved ones.

## **Conclusion**

Nobody can predict exactly which powers will be needed in the future. Powers of attorney are a key part of anyone's life plan at any age. Which benefits will be the most important depend on the situation of the principal and his or her loved ones. This is why comprehensive powers of attorney are so essential. The planning goal is to have a power of attorney in place that empowers a succession of trustworthy agents to do whatever needs to be done in the future. Please call us if we can be of assistance in any way or if you have any questions about durable powers of attorney.

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